

A Guide to Public Liability Insurance



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YOUR GUIDE TO PUBLIC LIABILITY INSURANCE

Public liability insurance could be considered one of the most essential forms of business cover. Not only will it provide you with financial protection against the cost of personal injury compensation, it will also cover you against accidental property damage claims made by members of the public and other third parties.

Throughout this ultimate guide we will be looking at what public liability insurance offers, the level of cover your business may need and more.

WHAT IS PUBLIC LIABILITY INSURANCE?

Public liability is insurance cover which business owners invest in to protect themselves against the financial costs of claims made by members of the public. A claim could also be made against you by a third party, if they become injured or their property is damaged as a direct result of your work or business operations.

For example, if you are working in a customer's home and they trip and injure themselves on your equipment, they could potentially make a claim against your insurance for compensation. In this instance your public liability insurance would cover the legal costs associated with a successful claim made against you and any further compensation payable. Without it, you would be expected to cover the costs yourself.

If through the course of your work, you regularly come into contact with members of the public, i.e. clients or third parties who enter your premises, then public liability is an essential business insurance to consider.

Typically, businesses may choose to take out Liability between £2 - £5 million, however we are able to offer customers indemnity limits up to £10 million.

DO I NEED PUBLIC LIABILITY INSURANCE?

Public liability insurance, whilst considered essential, is not compulsory by law for most business owners.

However, whilst you may not be legally obliged to have a policy in place, if you do not, you face the possibility of being left unprotected should a claim be made against you. Therefore it is vital that you understand how beneficial having a policy can be.

If a member of the public were to make a claim against you because your business operations had caused damage to them or their belongings or property, the cost of the claim could escalate to tens of thousands of pounds or more.

You also risk losing lucrative contracts and other work as some clients and bigger contractors may require proof of your insurance before they agree to work with you. This is particularly prevalent for small building companies and contractors and is becoming increasingly true for other businesses that come into frequent contact with the public.

Public liability insurance is something to consider if:

1. You invite members of the public, clients or customers to your own premises, whether this is a dedicated site for your work or your home, used for business.
2. You carry out your work off-site at other people's homes or businesses or you hold events in public places.
3. You are looking to take on more work and bigger contracts from governmental and public organisations.

If you own a horse riding business or stables, then you are legally obligated to have a public liability insurance policy. The high risk of accident and injury in this industry makes it crucial in protecting both riders and visitors.

WHO AND WHAT DOES PUBLIC LIABILITY INSURANCE COVER?

A public liability insurance policy will cover anyone you interact with as part of your business, with the exception of employees. It offers protection to those invited to visit your business including customers, clients and even members of the public passing by.

As noted previously, you may not have a legal obligation to hold a public liability insurance policy; However for many businesses and industries it is certainly advised, particularly for the trade, construction and retail sectors.

If through the course of your business operations, members of the public were to become injured, exposed to an illness/disease or damaged their belongings in any way, it is likely that they will pursue legal action in order to seek financial compensation.

Examples of incidents, likely to result in a claim:

1. Whilst painting and decorating a customer's home, a tin of paint spills, ruining the owners sofa and soft furnishings. The business would be sued for damage of property.
2. Tools are left unattended at the entrance of a construction site and a passing member of the public trips over, fracturing their ankle. A claim would be pursued for failing to ensure health and safety precautions within such a dangerous environment. Damages could be awarded for personal injury.
3. The floor is slippery due to an earlier spillage, resulting in a customer falling over and injuring themselves. A claim may be pursued for failing to clear hazards and ensuring health and safety procedures were followed.

In instances such as these, a public liability policy will cover the cost of putting right any damages and medical expenses, it will also cover the cost of your legal fees and the claimants if you are found to be at fault, which could prove incredibly expensive.

Personal injury compensation alone may include loss of earnings, future loss of earnings, pain and suffering and damages to be awarded to the claimant. Without public liability insurance you would be liable for all these costs.

Public liability insurance does not cover any employee within your business, whether temporary, part-time, student or work placements. For any of these groups you will need employers' liability insurance.



Risk

DO YOU REALLY NEED PUBLIC LIABILITY INSURANCE AS A SOLE TRADER?

As a sole trader you tend to work without employees and are responsible for all your own business, tax and financial issues. This makes becoming a sole trader a big responsibility because if anything should go wrong in your business, it is all down to you to sort out.

If you regularly work in customers' homes and other residential or private properties then you will already be aware of the risks you face on a daily basis not to damage property or potentially injure your clients.

With this in mind, having Public liability insurance would remove the financial risks associated with being a sole trader; without insurance you could face losing your livelihood in the event of a successful claim.

WHAT HAPPENS IF YOU DON'T HAVE PUBLIC LIABILITY INSURANCE?

As a business owner you will have lots of different responsibilities and it is very easy to put your public liability obligations near the bottom of the pile. However, if an accident does happen in your workplace and you're not prepared, you could be in for a nasty surprise.

In the event that a claim is filed against you and you don't have a policy in place, you will be notified by courts. You will then be obliged to hire a solicitor who will collect evidence on your behalf to generate an adequate defence against the claimant.

Whilst we appreciate not every customer will have an accident with your property, it only takes one claim to disrupt your life and potentially ruin your business.

To expand on one of our earlier points; any costs associated with the claimant's injuries and overall losses will have to be paid in the event of a successful claim. You will also have to pay all court fees, medical expenses, and legal costs to all parties involved.

If the claim is unsuccessful, you can claim back your losses, however there's no guarantee that you will be able to claim them all back.

You may be able to recover a portion of your expenses from the claimant, but these are rarely fully repaid.

Ultimately, whilst you may not be able to avoid a claim, you should ensure that you have the best possible systems and processes in place to ensure the risk of a claim is low.

However, if you do have to pay out a large sum of money after a claim the realisation is that you may face both financial and reputational damage and could even lose your business.

Examples of Public Liability Insurance Claims;

Practical examples of public liability claims can help to understand the true scope of this kind of insurance. Here are just a few examples of claims which could be costly without the right insurance in place:

- A self-employed computer technician visits a small business premises to update software and carry out general maintenance. Whilst there he spills a drink and permanently damages some of the equipment he is working on. The client could claim for both damage to the property and loss of earnings.
- A construction team are working on a building project and debris falls from scaffolding and hits a parked car below. The owner of the car could claim against the construction company for the damage to their vehicle and related costs such as loss of earnings and the cost of a hire car.
- A customer in a local shop trips and falls over a bundle of newspapers left in the aisle. They could claim against the shop owner for the injuries caused and related loss of earnings and prescription costs.
- A cleaning company has professionally cleaned the carpets in a client's rental properties. The client alleges they have caused damage to the carpets and/or flooring. The company may have to pay out for the damage but at least they would contact their public liability insurers to defend the claim.

All sorts of things can be claimed for but some of the most common types of claim involve:

Disrepair

Your duty of care requires you to maintain properties and your working practices to a level which ensures risk of accident and injury is low. Issues such as tree roots, loose carpeting and broken windows could result in a claim, whereas these could have easily been avoided.

Transport

Essential vehicles for your business could pose a risk, especially when carrying heavy goods, tools or equipment and when carrying members of the public. Whilst road traffic accidents are covered by vehicle insurance, if a member of the public or their property is injured or damaged when goods are being removed from your vehicle, this would be a public liability issue.

Slips and Trips

In almost every work environment the risk of slips and trips is a worrying possibility. You should do all you can to maintain your premises to a good level whilst promoting the importance of health and safety. Hazards can come in the form of loose wires, boxes left out on a shop floor and even spillages.

Accidents

Accidents are the most difficult kind of claim to defend against as they are almost always unavoidable. Items being dropped, damaged or broken whilst in use is not usually done purposefully but it can happen, and without proper insurance there is very little financial protection if a claim is made after an accident.



HOW MUCH WILL IT COST?

How much you pay for your public liability insurance will depend on the level of cover you need (that is how much money the insurer will pay out for a single claim against you) and the type of business you are in.

The higher the risks within the industry, the more cover you will require. As a rule, trades that work with height, heat and water tend to pose the most risks in the eyes of insurers. Therefore, most insurers will base their premium on the kind of business you run and also your turnover (not profit) as a way of estimating how active your business is.

Ultimately, even though the cover is an optional purchase, you should weigh up the costs of a policy premium versus the cost of a claim.

HOW MUCH PUBLIC LIABILITY COVER DO YOU NEED?

The level of public liability cover that a business or sole-trader needs depends largely on the risk associated with your labour and also the scale of the work you carry out. It may also depend on what your clients expect.

Some larger companies and organisations may expect you to have liability insurance cover up to a certain amount before they will even consider working with you. If you do not have insurance you may pose too much of a risk to work with and could miss out on important contracts and work.

Insurance companies tend to offer cover which starts at a minimum of £1 million but increments of up to £5 million and £10 million are also commonly found. As mentioned you may find your contracts with your clients requires you have a particular level of cover. This is often the case if you deal regularly with local authorities, who tend to expect £10 million as standard and also if you are an IT contractor.

Public liability cover can often be conveniently purchased in a bundled deal with employers' liability and professional indemnity insurance or a mixture of the types you need for your business. This can be an effective way of saving money on your overall insurance costs. You can discuss each individual type of cover with your insurer, especially if you need particularly high cover in one area.

Common Public Liability Policy Exclusions

Most public liability insurance policies come with standard exclusions. Your policy is unlikely to cover you for:

- Damage to your own property
- Defective workmanship
- Damage which occurs due to advice, design or specification unless provided as part of an 'overall contract'
- Deliberate acts of damage or injury

The exclusions listed are common but may not apply to every policy. It is important to look closely at what is offered by the insurance companies you are considering and check whether these common exclusions are relevant to your policy before agreeing to anything. Most insurers are more than willing to discuss any questions or concerns in depth and you can then be 100% sure of the decision you're making before signing and agreeing to purchase your cover.

HOW TO MAKE A CLAIM ON YOUR PUBLIC LIABILITY INSURANCE

If you have invested in public liability insurance then it makes sense to understand the processes involved in making a claim, should the worst happen.

In the event of an accident, damage to property or third party injury, it is important to keep records of everything that has happened. This could be in the form of an accident report book or a more informal written record.

Where applicable, photographs are a good idea as they act as visual evidence to support your defence and provide to your insurer. As soon as an incident occurs you should contact your insurance company. Even if a claim is yet to be made you can discuss the situation with them so they are prepared should a claim be made, and not left to deal with a nasty surprise. They can also confirm whether your policy will actually provide you with cover.

Once this stage is complete you should do all you can to minimise the damage caused by the situation. If a member of the public or your customer is injured then call an ambulance and if there has been damage to property, do all you can to minimise the damage. Your chosen insurance company will have their own individual guidance on what you should do after this point. It is important to review exactly what they expect from you in the event of an accident to ensure you do not invalidate your policy. You need to fully understand all the terms and conditions of your insurance policy to ensure you can comply in the event of an accident or claim. Without this you may inadvertently invalidate your policy or you may see your claim rejected.

The quicker you act the better the possible outcome as it gives your insurance company more to work with.

The final thing you should consider in the aftermath of an incident is what you can do to prevent the same thing happening again. You may want to carry out fresh risk assessments and you may also want to consider further training for your staff on your company health and safety policy, to ensure similar incidents can be avoided.

PUBLIC LIABILITY INSURANCE: KEY THINGS TO REMEMBER

Whether or not your business invests in public liability insurance is an individual choice. You have to weigh up the benefits and decide whether it is right for you. The potential costs of defending a claim without insurance can be extensive so it is a consideration you may want to take some time over. Keep these points in mind when deciding:

- **No two insurance policies are the same: you need to assess your individual business requirements when deciding the level of cover you need.**
- **Check your client contracts thoroughly: you may find they have a minimum public liability insurance clause and you could be contravening your agreement if you don't have this level of cover in place.**
- **Consider business insurance: some insurers offer combination policies which incorporate professional indemnity insurance, employers' liability insurance and public liability insurance. This can be an easy way of making a saving.**
- **Work with your insurer: your insurer wants to help ensure your business continues to function effectively so be prepared to work with them should a claim occur. Make sure to read the terms of your policy in depth.**
- **Policy exclusions: don't forget that some things are excluded from almost all public liability policies so it is worth looking in depth at the options available to you before making up your mind.**
- **Anyone can make a claim: any member of the public can realistically make a claim against your company.**

Whilst it may be more likely to be a client or regular visitor to your premises, it could just as easily be someone who is injured passing by your business or whose property is damaged in connection with your business.

Without public liability insurance, your business can end up in real financial trouble should a claim be made against you. You may work in the safest possible way and have a real commitment to providing a safe working environment but accidents still happen. Public liability insurance gives you a chance to have an additional financial barrier in place should an incident occur resulting in a member of the public making a claim against you.





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